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Anthony C. Wilson
Associate General Counsel

February 21, 2007

VIA HAND DELIVERY

Ms. Karen J. Nickerson
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

RE: Docket No. 06-241 - In The Matter of Integrated Resource Planning for the Provision of Standard Offer Service by Delmarva Power & Light Company Under 26 Del. C. § 1007(C) & (D): Review and Approval of the Request for Proposals for the Construction of New Generation Resources Under 26 Del. C. § 1007(D) (Opened July 25, 2006).

RE: Docket No. 07-20 - In the Matter of Integrated Resource Planning for the Provision of Standard Offer Service by Delmarva Power & Light Company Under 26 Del. C. § 1007(C) & (D): Review of the Initial Resource Plan Submitted December 1, 2006 (Opened January 23, 2007).

Dear Ms. Nickerson:

On behalf of Delmarva Power & Light Company (“Delmarva” or “Company”), attached for filing in each above-referenced docket please find an original and 14 copies of the Company’s Request for Proposals Bid Evaluation Report.

Based on Delmarva’s analysis of the bids and the substantial risks inherent in long-term contracts, together with the fact that none of the three proposals offer customers significant savings and that the three bids transfer and carry substantial risks to Delmarva’s customers, Delmarva is of the view that rejecting all of the proposals received is the best option for Delmarva customers.

In today's filing, the Company ranked the three bids that it received based on a "point system" designed to measure the relative merits of each bid in terms of price, price stability, environmental impact, and other factors, such as experience building power plants. The Company received proposals from NRG Energy for a 20 to 25-year contract for 400MW from a 600MW coal plant; from Bluewater Wind for a 25-year contract for electricity from a 600MW wind park; and from Conectiv Energy, its affiliate, for a 10-year contract for an 180MW natural gas facility. (One MW [megawatt] provides enough electricity to power approximately 1,000 homes.) Based on the pre-approved point system dictated by the Delaware Public Service Commission and other state agencies, Delmarva Power ranked the bids in the following order: Conectiv Energy, Bluewater Wind, and NRG Energy.

Based on its analysis, the Company predicts that NRG's bid would cost its customers \$5 billion more than buying the power from the wholesale market, which is made up of other power plants across the region. Bluewater Wind's proposal would result in customers paying prices \$2 billion over its market forecast. Conectiv Energy's proposal offers no savings over the market forecast. It is largely on the strength of its relative price ranking that the Conectiv Energy proposal was ranked the highest of the three bids. Even though a Delmarva affiliate and Conectiv Energy scores out best under the system, Delmarva does not favor signing a long-term contract. All of the objectives of the legislation can be met by other means, without any of the risks that come with long-term contracts.

The Company's analysis showed that bids all failed to deliver significant price stability benefits. Price escalation clauses would cause the price of NRG and Conectiv Energy's contracts to increase, if the prices of coal or natural gas increase. Bluewater Wind's proposal includes a price-escalation clause tied to inflation. While there are environmental benefits associated with each of the projects, the Company believes that there are other, more cost-effective ways to achieve those benefits. Stockbridge noted, for example, that Delmarva Power has laid out specific steps that will give customers new tools to help them save electricity, thereby cutting down the amount of electricity it has to purchase for customers.

Delmarva continues to understand and support the desire of the Legislature, the Governor's office, the Public Service Commission, and other state agencies to look at options that can save customers money on energy, provide price stability, and offer environmental benefits; however, a careful analysis of these proposals suggests that they are not the best means to achieve those objectives.

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Should you have any questions please feel free to contact Mark W. Finfrock, at (302) 429-3777, William R. Moore, Jr. at (302) 454-4542 or the undersigned counsel at (302) 429-3061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Anthony C. Wilson', followed by a horizontal line and the initials '/jrs'.

Anthony C. Wilson
Associate General Counsel
On behalf of Delmarva Power

cc: Docket No. 06-241 Service List
Docket No. 07-20 Service List
Bert Scogiletti - Office of Management and Budgets
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Jennifer Cohan - Controller General
Bruce Burcat - Staff
Connie McDowell - Staff
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